

Operating Budget

Introduction to the Governor's proposal for the 2019-21 Biennium

James Kettel, Operating Budget Coordinator

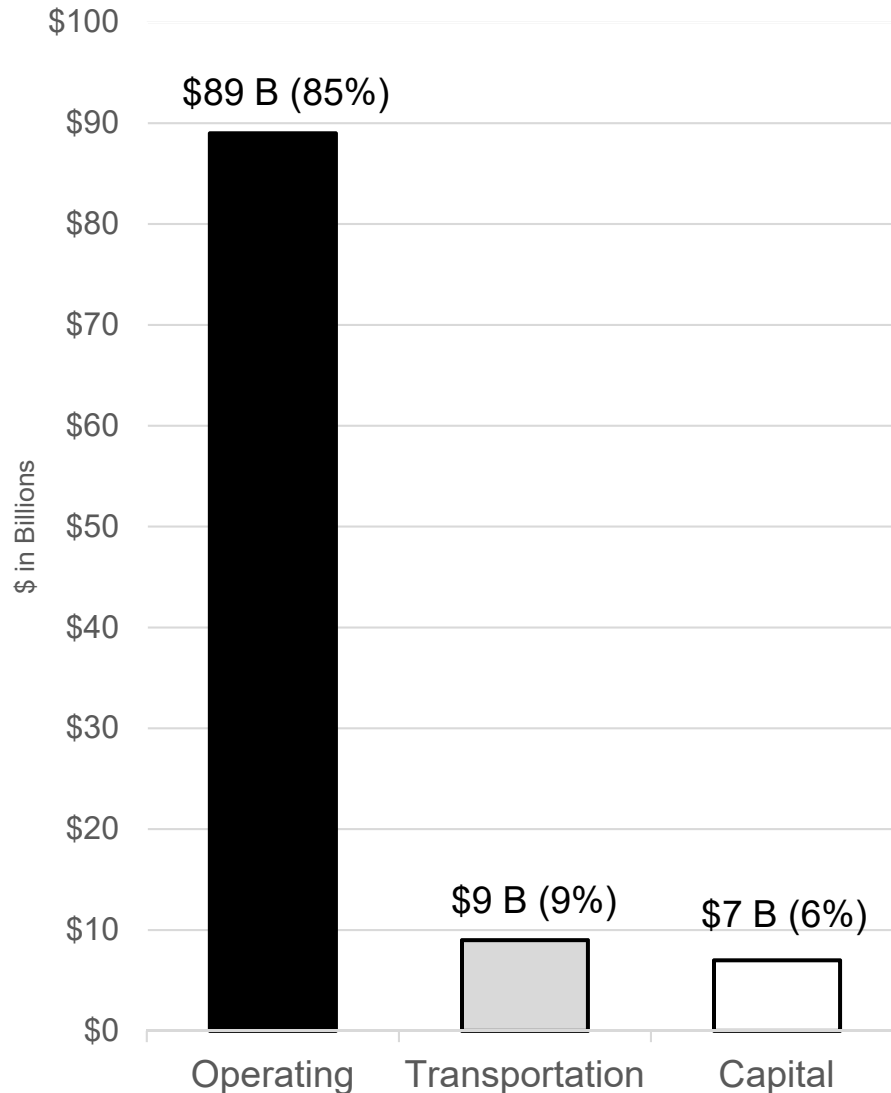
January 15, 2019

WASHINGTON STATE



Ways & Means Committee

The Operating Budget represents about 85% of the overall state budget, and pays for the day-to-day operations of state government.



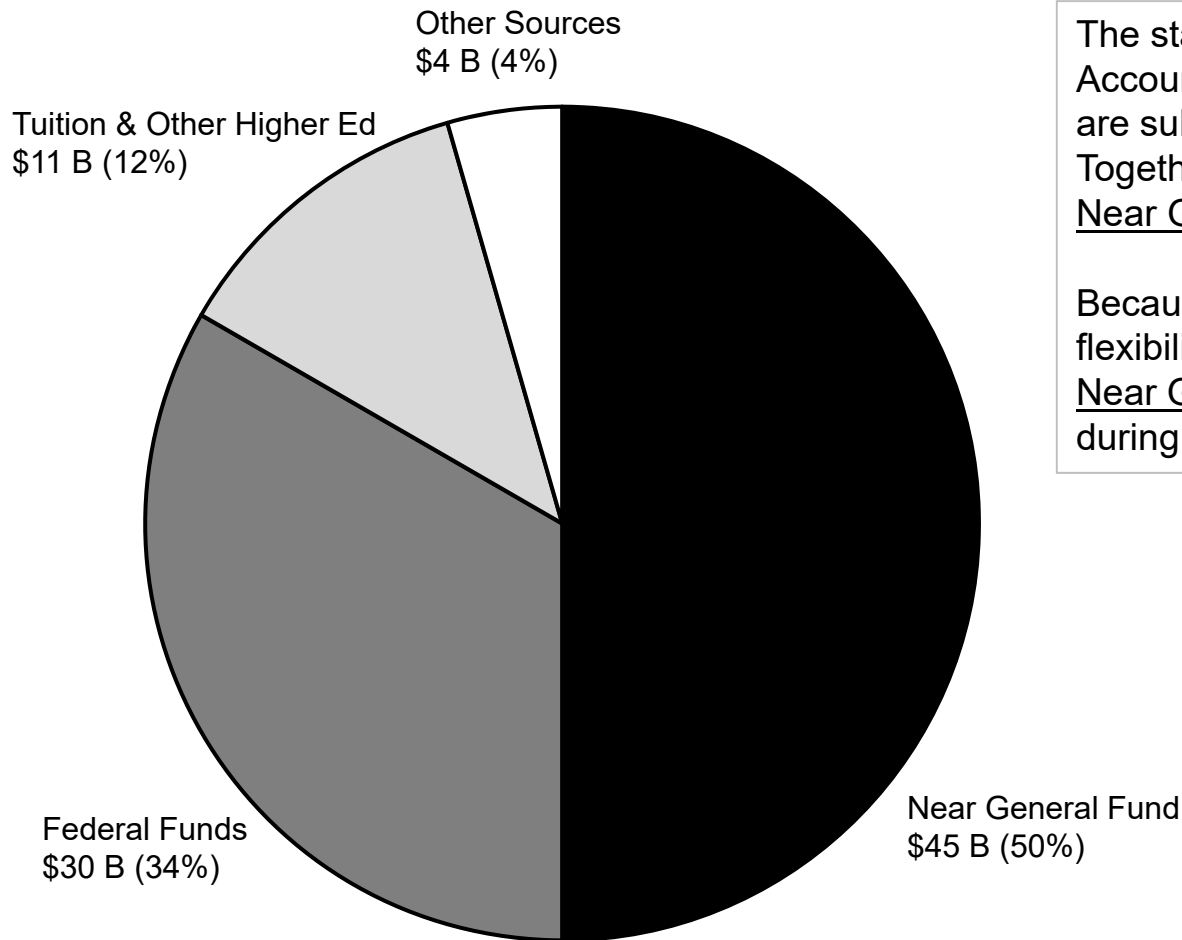
The **Operating Budget** pays for day-to-day operations of state government, including:

- K-12 education
- Higher Education
- Health Care
- Social Services
- Corrections
- Natural Resource and Recreation Programs
- Government Operations
- Debt Services on bonds for capital projects

Notes:

- 2017-19 Biennium (thru the 2018 Supp)
- Shown in total Funds; \$ in Billions
- Combined impact = \$105 B

The state pays for the Operating Budget primarily with the Near General Fund (50%), federal funds (34%), and funds specific to higher education (12%).



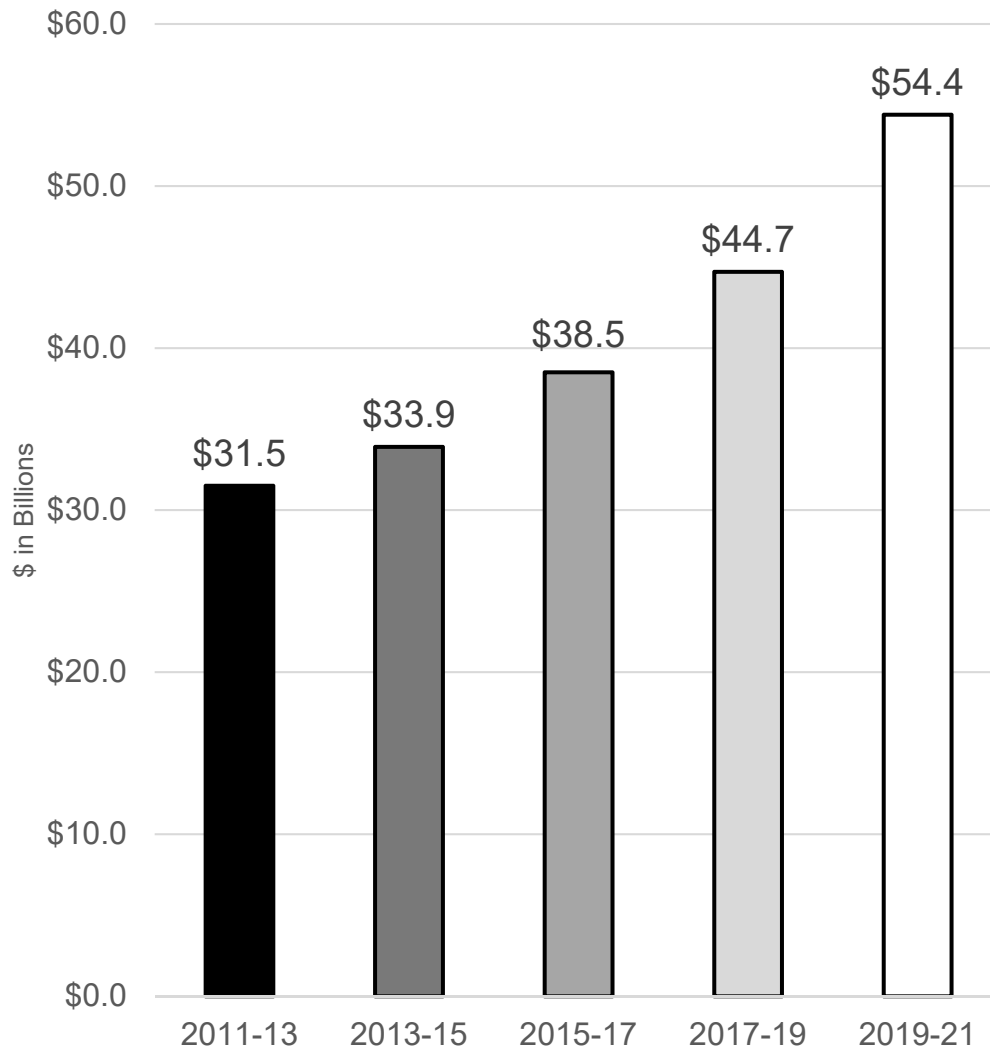
The state general fund, Education Legacy Trust Account, and Opportunity Pathways Account are subject to the rules of the Budget Outlook. Together, these three accounts represent the Near General Fund.

Because of the nature of its tax sources, and the flexibility to utilize funds for multiple purposes, Near General Fund receives the most attention during the budget-building process.

Notes:

- 2017-19 Biennium (thru the 2018 Supp)
- Shown in total Funds; \$ in Billions
- Combined impact = \$105 B

The Near General Fund budget increased by \$13 billion over the past 8 years. The Governor's proposal would add roughly \$10 billion in spending in the 2019-21 Biennium.



The Near General Fund budget has increased by \$13 billion over the past 8 years – a roughly 40% change.

The Governor's budget proposal would add about \$10 billion in Near General Fund spending in the 2019-21 Biennium.

Notes:

- 2011-13 thru 2017-19 = enacted budgets
- 2019-21 = Governor's Book 2 proposal
- Near General Fund (Outlook)

The “Budget Outlook” for the Governor’s proposal shows the framework for resources, expenditures, and projected balances.

2019-21 Biennial Budget – Governor’s Proposal (Book 2)
Near General Fund (Outlook); \$ in billions

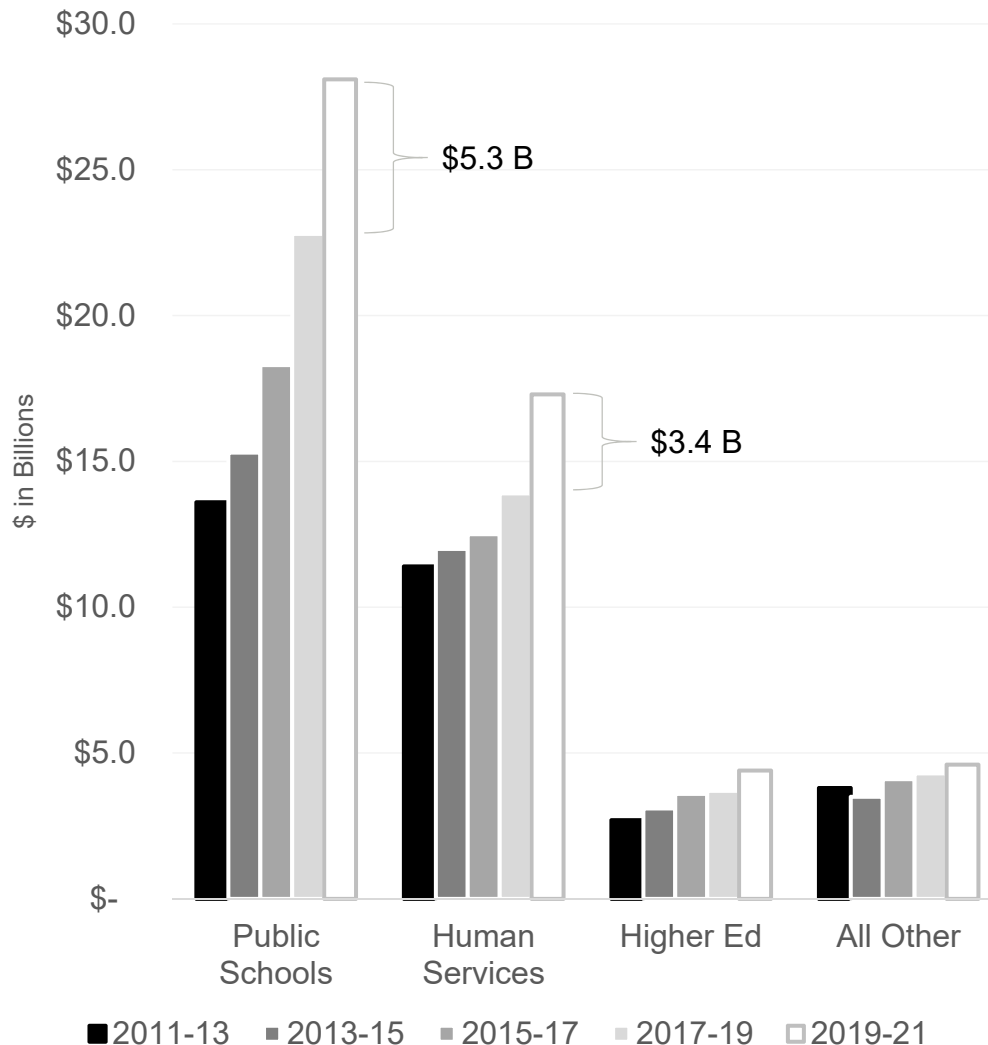
	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>
1. Beginning Balance	\$1.1	\$1.5	\$0.6
2. Revenue Forecast (Nov 2018)	\$45.8	\$50.0	\$53.8
3. 4.5% Growth Rate Assumption	-	-	\$0.8
4. Other Legislation	-	\$3.7	\$5.3
5. Other Resource Changes	<u>-\$0.7</u>	<u>-\$0.2</u>	<u>-\$0.5</u>
6. Total Revenue & Resources	\$46.3	\$54.9	\$60.0
7. Enacted Appropriations	\$44.7	\$44.7	\$47.8
8. Carry Forward Level Adjustments	-	\$3.4	\$0.8
9. Maintenance Level Adjustments	\$0.2	\$3.0	\$6.1
10. Policy Level Adjustments	\$0.1	\$3.6	\$5.0
11. Reversions	<u>-\$0.2</u>	<u>-\$0.3</u>	<u>-\$0.3</u>
12. Revised Appropriations	\$44.8	\$54.4	\$59.4
13. Projected Ending Balance	\$1.5	\$0.6	\$0.6
14. Budget Stabilization Account	\$1.6	\$2.2	\$2.9
15. Total Reserves	\$3.1	\$2.8	\$3.5

Roughly *one-third* of expenditure growth comes from technical adjustments to carry-forward budget decisions from the 2017-19 Biennium. The largest item is the biennial cost of the McCleary decision.

About *one-third* of expenditure growth comes from maintenance level items, which are mandatory adjustments to maintain current operation of state government in the 2019-21 Biennium. The largest items are caseload growth, per capita cost increases, and inflation adjustments.

The remaining expenditure growth comes from policy choices, such as collective bargaining agreements, vendor rate changes, natural resource investments, and behavioral health investments.

Under the Governor's proposal, almost 90% of Near General Fund growth during the 2019-21 Biennium would occur in Public Schools (\$5.3 billion) or Human Services (\$3.4 billion).



Major investments in Public Schools include carrying forward the full impact of the McCleary decision, implementing School Employee Benefits, inflation changes, and increasing Local Effort Assistance payments.

Major investments in Human Services include collective bargaining agreements, provider rate changes, behavioral health reform, Trueblood lawsuit costs, and caseload/utilization/workload adjustments.

Notes:

- 2011-13 thru 2017-19 = enacted budget
- 2019-21 = Governor's Book 2 proposal
- Near General Fund (Outlook)